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C O N F I D E N T I A L SECTION 01 OF 03 LONDON 12220

E.O. 11652: GDS

TAGS: PGOV, PINT, UK

SUBJECT: AS PARLIAMENT RISES: A LOOK AT THE RESULTS AND
PROSPECTS

REF: LONDON 11928

SUMMARY - THE AUGUST 7 RISING OF PARLIAMENT PROVIDES A
USEFUL OPPORTUNITY TO REVIEW THE ACHIEVEMENTS OF THE
LABOR GOVERNMENT, ASSESS THE CURRENT STATE OF POLITICAL
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AFFAIRS AND EXAMINE FUTURE POLITICAL PROSPECTS. THE

QUESTIONS POSED BY BRITISH MEMBERSHIP IN THE COMMON MARKET AND AN AILING NATIONAL ECONOMY DOMINATED THE POLITICAL SCENE FOR MOST OF LABOR'S FIRST YEAR IN GOVERNMENT. DESPITE ITS PREOCCUPATION WITH THESE VITAL ISSUES AND A FRACTIOUS, RAZOR THIN MAJORITY IN THE HOUSE OF COMMONS, THE CURRENT PARLIAMENT HAS BEEN ALMOST UNIQUELY PRODUCTIVE, THOUGH NOT WITHOUT COST TO PRIME MINISTER WILSON AND THE PARLIAMENTARY LABOR PARTY (PLP). IT HAS PASSED OR IS EXPECTED TO PASS BEFORE THE CURRENT SESSION ENDS IN NOVEMBER, A VIRTUALLY UNPRECEDENTED NUMBER OF REFORMS AND NEW PROGRAMS -- AMONG THE MORE SIGNIFICANT INITIATIVES WERE THE INDUSTRY BILL, PETROLEUM DEVELOPMENT AND TAX LEGISLATION, THE DEFENSE REVIEW, THE NATIONALIZATION OF BRITISH LEYLAND, TRADE UNION AND LABOR RELATIONS REFORMS, AND A SCHEME TO CONTROL REAL ESTATE SPECULATION (THE LAST IS STILL TO BE APPROVED). THAT WILSON HAS BEEN ABLE TO ACCOMPLISH THIS MUCH WAS DUE LESS TO THE LABOR PARTY'S WELL-DEFINED PROGRAMMATIC GOALS THAN TO THE DEBILITY OF THE OPPOSITION. COMPOSED OF FIVE DISTINCT AND IDEOLOGICALLY DIFFERING PARTIES AND, ESPECIALLY IN THE CASE OF THE CONSERVATIVE PARTY, PLAGUED BY UNCERTAIN LEADERSHIP, THE INEFFECTIVE OPPOSITION ENABLED WILSON TO IGNORE LEFT-WING LABOR DISSIDENTS ON KEY ISSUES. THERE SEEMS LITTLE LIKELIHOOD THIS SITUATION WILL CHANGE IN THE NEAR TERM. WHILE A LARGE PART OF LABOR'S PROGRAM OF GOVERNMENT WAS ENACTED DURING THE FIRST PARLIAMENT, A GREAT DEAL REMAINS TO BE DONE. FURTHER INITIATIVES CAN BE EXPECTED IN NOVEMBER, INCLUDING ACTION ON DEVOLUTION, TAXATION OF WEALTH AND CAPITAL TRANSFERS, WORKER PARTICIPATION IN MANAGEMENT AND SOCIAL SERVICE REFORMS. AS IN THE PAST, LABOR'S ABILITY EFFECTIVELY TO IMPLEMENT MANY OF ITS PROGRAMS, ONCE ENACTED, WILL BE HEAVILY DEPENDENT ON THE STATE OF THE ECONOMY, AND THERE THE OUTLOOK IS PROBLEMATIC. END SUMMARY.

1. MEMBERSHIP IN THE EC AND THE INFLATIONARY SPIRAL WITH ITS ATTENDENT PROBLEMS FOR THE NATIONAL ECONOMY DOMINATED THE BRITISH POLITICAL SCENE DURING THE LABOR GOVERNMENT'S FIRST YEAR IN OFFICE. THE JUNE REFERENDUM IN WHICH THE BRITISH PEOPLE OVERWHELMINGLY ENDORSED CONTINUED UK MEM-

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BERSHIP IN THE EC, LAID THAT BITTERLY CONTESTED ISSUE TO REST. HOWEVER, THE OUTCOME LEFT A RESIDUE OF RESENTMENT AMONG LABOR'S LEFT-WING ANTI-MARKETEERS WHO FELT PRIME MINISTER WILSON AND THE GOVERNMENT HAD SHOWN BAD FAITH DURING THE REFERENDUM CAMPAIGN. RESOLUTION OF THE EC ISSUE PERMITTED THE GOVERNMENT TO FOCUS ITS ATTENTION AND RESOURCES ON OTHER URGENT PROBLEMS. FOREMOST WAS THE NATIONAL ECONOMY AND THE RAGING INFLATION. IT WAS CLEAR

THAT THE VAUNTED SOCIAL CONTRACT HAD FAILED TO ADEQUATELY RESTRAIN WAGE DEMANDS WHICH WERE FUELING THE INFLATION-ARY SPIRAL. FOLLOWING HURRIED CONSULTATIONS AND DISCUSSIONS WITH THE TUC AND THE CBI, CHANCELLOR HEALEY IN JULY ANNOUNCED THE GOVERNMENT'S ANTI-INFLATION PROGRAM. IT WAS SUPPORTED BY THE TUC AND A SUBSTANTIAL NUMBER OF MAJOR UNIONS, INCLUDING THE PIVOTAL MINERS' UNION. ACCORDINGLY, THIS INITIATIVE PASSED WILSON'S FIRST, AND PERHAPS MOST IMPORTANT, POLITICAL TEST OF AVOIDING AN OPEN SPLIT BETWEEN THE GOVERNMENT AND THE TUC. THE RESPONSE FROM BUSINESS WAS MORE EQUIVOCAL, BUT IN ECONOMIC TERMS THE PACKAGE SEEMS TO HAVE A REASONABLE CHANCE FOR SUCCESS,

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PROVIDED THE UNDERLYING ASSUMPTIONS (REFTEL) EVENTUATE. THE ULTIMATE SUCCESS OF THIS POLICY, HOWEVER, MAY WELL BE DETERMINED BY NON-ECONOMIC FACTORS. SOME IMPORTANT UNIONS, FOR EXAMPLE THE AUEW, ARE EXPECTED TO RESIST THE FLAT RATE WAGE INCREASE PROVISIONS, AND THE ANTI-INFLATION PACKAGE ITSELF FURTHER ALIENATED SOME ELEMENTS OF THE LABOR PARTY'S LEFT-WING, INCREASING THE POSSIBILITY THAT THEY MIGHT REBEL AGAINST THE GOVERNMENT ON A CRI-
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TICAL VOTE AT SOME POINT IN FUTURE.

2. UPON ASSUMING OFFICE WILSON HAD ONE OVERRIDING POLITICAL PRIORITY BASED ON THE EXPERIENCE OF HIS 1964-70 GOVERNMENT: THE MAINTENANCE OF THE LABOR MOVEMENT UNITY BY AVOIDING AN OPEN SPLIT BETWEEN THE GOVERNMENT AND THE UNIONS. THE BEST WAY TO ATTAIN THIS GOAL WAS TO IMPLEMENT, WITH DISPATCH, THE LABOR PARTY'S PROGRAM FOR GOVERNMENT AS OUTLINED IN ITS ELECTION MANIFESTO, WHICH HAD BEEN JOINTLY AGREED UPON BY THE PLP AND THE TUC. GIVEN THE GOVERNMENT'S PREOCCUPATION WITH THE MORE IMMEDIATE EC AND ECONOMIC ISSUES, ITS NARROW PARLIAMENTARY MAJORITY (THREE SEATS AT THE BEGINNING OF THE SESSION, ONE SEAT AFTER THE FIRST BY-ELECTION), AND FACTIONALIZATION WITHIN THE PLP, THE PROSPECTS FOR ENACTING A FAR-REACHING PROGRAM OF SOCIAL AND ECONOMIC REFORM DID NOT APPEAR PROMISING. YET IN THE EVENT THE LEGISLATIVE RESULTS OF THIS PARLIAMENT HAVE BEEN ALMOST UNEQUALLED -- ONE LONG-TIME STAFF OFFICIAL AT THE HOUSE OPINED THAT THE LEGISLATIVE OUTPUT OF THIS PARLIAMENT EXCEEDS THAT OF THE FIRST LABOR GOVERNMENT PARLIAMENT IN 1945 AS WELL AS ANY OTHER HE CAN RECALL (A COMPLETE REPORT OF LEGISLATION ENACTED AND PENDING WILL BE FORWARDED BY AIRGRAM).

3. THIS ACHIEVEMENT HAS BEEN POSSIBLE LARGELY BECAUSE OF THE INEFFECTIVENESS OF THE OPPOSITION. MADE UP OF 5 PARTIES HAVING LITTLE IDEOLOGICAL AFFINITY, IT HAS BEEN UNABLE TO MOUNT A COHESIVE CHALLENGE TO THE GOVERNMENT. POOR LEADERSHIP IN THE FIVE OPPOSITION PARTIES, ESPECIALLY IN THE CASE OF THE TORY PARTY WHERE MRS. THATCHER HAS YET TO TAKE HOLD AND THE PARTY ITSELF IS SUFFERING FROM INTERNAL STRESS, HAS ALSO BEEN AN IMPORTANT ELEMENT. INDEED, SOME LABOR BACKBENCHERS HAVE OBSERVED THAT THE CONSERVATIVES APPEAR TO BE AS BADLY DIVIDED AS THEIR OWN

PARTY, NOTING HOWEVER THAT THE TORIES LACK LABOR'S PANACHE WHEN IT COMES TO INTERNAL STRIFE. IN ANY EVENT, THE OPPOSITION'S LACK OF COHESION GREATLY DIMINISHED THE LEVERAGE OF THE PLP'S LEFT-WING AND ALLOWED THE GOVERNMENT TO IGNORE LEFTIST DISSENT ON SEVERAL KEY ISSUES. A FINAL, AND BY NO MEANS INCONSIDERABLE, FACTOR IN THIS GOVERNMENT'S LEGISLATIVE SUCCESS HAS BEEN THE INTENSE
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DRIVE OF ITS LEADERSHIP IN THE HOUSE. LEGISLATIVE HOPERS WERE CRAMMED FULL, COMMITTEES WERE DRIVEN TO COMPLETE THEIR WORK, CLOTURE WAS INVOKED AS THE NEED AROSE AND THE PLP WAS HEAVILY WHIPPED. IN THIS REGARD, A GOVERNMENT WHIP REPORTS THAT THIS PARLIAMENT HAS ALREADY SAT MORE DAYS THAN ANY OTHER RECENT PARLIAMENT AND BEEN IN SESSION AN AVERAGE OF TWO MORE HOURS PER DAY THAN THE NEXT HARDEST WORKING PARLIAMENT. HE ALSO REPORTS PARTY DISCIPLINE, NEVER LABOR'S STRONG SUIT, WAS NEAR THE BREAKING POINT AS THE SESSION ENDED.

4. THERE IS LITTLE REASON TO BELIEVE THE OPPOSITION WILL BE ANY MORE EFFECTIVE WHEN THIS PARLIAMENT RECONVENES IN OCTOBER OR IN THE EARLY DAYS OF THE NEXT PARLIAMENT WHICH WILL BEGIN IN NOVEMBER. THE CURRENT IDEOLOGICAL AND POLITICAL DISPARITIES WILL CONTINUE TO PREVAIL, AND THERE SEEMS TO BE SLIGHT CHANCE THAT THE CONSERVATIVES WILL BE ABLE TO LAUNCH, OR INDEED WISH TO LAUNCH, A SUSTAINED PARLIAMENTARY CHALLENGE TO THE GOVERNMENT UNTIL THEY HAVE WORKED OUT POLICY ALTERNATIVES THAT ARE BROADLY SUPPORTED BY ALL ELEMENTS OF THE PARTY. EVEN UNDER THE BEST OF CONDITIONS AND WITH EFFECTIVE LEADERSHIP, THIS WOULD TAKE SOME TIME. THE SHORT TERM OUTLOOK, ACCORDINGLY, IS FOR MORE OF THE SAME. THE LABOR GOVERNMENT HAS TWO MAJOR HURDLES TO OVERCOME BEFORE PARLIAMENT RECONVENES -- THE ANNUAL TUC CONFERENCE (SEPTEMBER 1-5) WHERE ITS ANTI-INFLATION PACKAGE WILL BE HOTLY DEBATED, AND THE ANNUAL PARTY CONFERENCE (SEPTEMBER 29-OCTOBER 3), WHERE WILSON CAN EXPECT SHARP LEFT-WING CHALLENGES ON A VARIETY OF NATIONAL ISSUES RANGING FROM THE ECONOMY TO DEFENSE SPENDING. CURRENT INDICATIONS ARE THAT THE TUC WILL ENDORSE THE GOVERNMENT'S PROGRAM AND THAT WILSON WILL SAIL EASILY THROUGH A STORMY PARTY CONFERENCE, FLOATING ON THE GOVERNMENT'S RECORD IN ENACTING ITS MANIFESTO COMMITMENTS. WHEN PARLIAMENT RETURNS IN OCTOBER TO CONCLUDE THE UN-

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FINISHED BUSINESS REMAINING FOR THIS PARLIAMENT, LEFT-WING FRUSTRATION AND RESENTMENT ARE LIKELY TO BE GREATER BECAUSE OF THE CONFERENCE, BUT THE MODERATES SHOULD BE IN BETTER HUMOR AFTER THEIR HOLIDAY. NEVERTHELESS, THE POWER BALANCE AND THE GENERAL SITUATION IN THE PLP ARE EXPECTED TO REMAIN SUBSTANTIALLY UNCHANGED.

5. ONCE THE NEW PARLIAMENT OPENS IN NOVEMBER, THE GO-
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VERNMENT CAN BE EXPECTED TO PRESS FORWARD WITH THE BALANCE OF ITS PROGRAM. FROM OUR REVIEW OF THE MANIFESTO AND SOUNDINGS OF GOVERNMENT INTENTIONS, WE EXPECT THE FOLLOWING ISSUES, INTER ALIA, TO SURFACE IN THE QUEEN'S SPEECH: DEVOLUTION, WEALTH TAX, CAPITAL TRANSFERS TAX, WORKER PARTICIPATION IN MANAGEMENT (PUBLIC AND PRIVATE ENTERPRISES) AND SOCIAL SERVICE REFORMS. ALL ARE CONTROVERSIAL AND CONTENTIOUS. THE ECONOMY TOO IS EXPECTED TO BE A MAJOR ITEM ON THE NEXT PARLIAMENT'S AGENDA, BUT SPECIFIC MEASURES WILL DEPEND ON THE SUCCESS OF THE GOVERNMENT'S ANTI-INFLATION PROGRAM AND RELATED DEVELOPMENTS. THE CHRONIC NORTHERN IRELAND PROBLEM WILL ALSO RECEIVE GOVERNMENT ATTENTION, ITS FOCUS AND INTENSITY CONTINGENT ON EVENTS IN THE NI CONSTITUTIONAL CONVENTION AND THE LEVEL OF STRIFE IN THAT PROVINCE. OF THESE ISSUES, DEVOLUTION, WHICH HAS PROFOUND CONSTITUTIONAL AS WELL AS POLITICAL IMPLICATIONS FOR THE UK, IS LIKELY TO BE THE MOST DIVISIVE, AND THE GOVERNMENT STILL APPEARS TO BE UNCERTAIN AS TO HOW IT INTENDS TO PROCEED. THE OUTLOOK, THEN, IS THAT THE NEXT PARLIAMENT WILL BE PRETTY MUCH LIKE THE ONE WHICH HAS JUST RISEN, VIGOROUSLY PUSHING TO ENACT THE BALANCE OF THE LABOR PARTY PROGRAM. WHETHER ALL THIS LEGISLATIVE ACTIVITY ULTIMATELY YIELDS THE GOALS LABOR IS PURSUING, HOWEVER, WILL DEPEND ON MANY OTHER FACTORS, NOT THE LEAST OF WHICH WILL BE THE HEALTH OF THE NATIONAL ECONOMY AND THE CONTAINMENT OF DOMESTICALLY GENERATED INFLATION. IT IS IN THIS AREA WHERE THE LABOR GOVERNMENT IS PERHAPS MOST VULNERABLE.

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